

TRADE IN FARM PRODUCTS:

- FACTS
- PRINCIPLES
- EFFECTS

by

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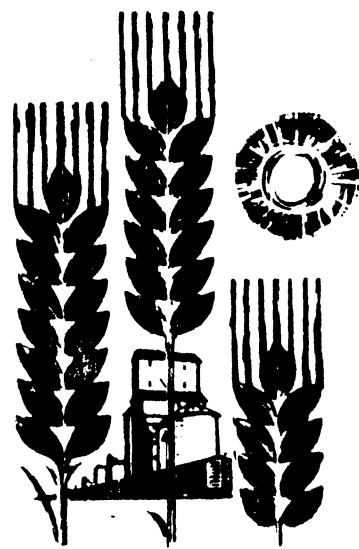
DEPARTMENT OF AGRICULTURAL ECONOMICS  
AND RURAL SOCIOLOGY

OHIO STATE UNIVERSITY

AN

ECONOMIC

TALE



"BEST OF TIMES"

"WORST OF TIMES"

GRAIN FARMER

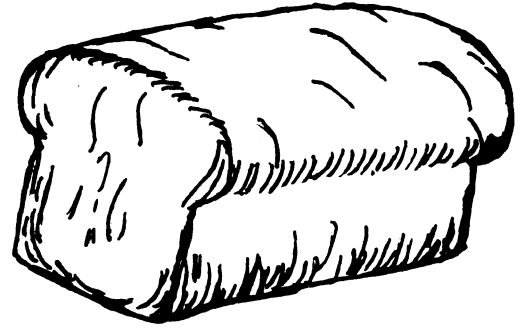
LIVESTOCK PRODUCER

FOOD PRODUCER

CONSUMER

LAND OWNERS

COMMON STOCKS



## RISING FOOD PRICES - SOME IMPLICATIONS

HOW MUCH ?

1972 - APR '77

ALL FOOD	91 %
FOOD AWAY FROM HOME	97 %
FOOD AT HOME	89
MEAT, FISH, POULTRY	75
DAIRY PRODUCTS	71
CEREAL & BAKERY	83
FRUITS & VEGETABLES	103

WHO DID THAT TO US ? ?

WHY ? ?

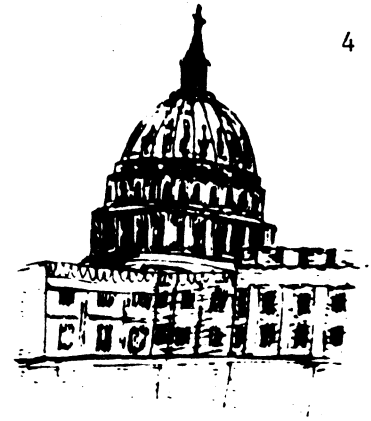
## CONSUMER PRICE INDEX COMPARISONS

1967 - April 1977

	<u>Increase</u>
CONSUMER PRICE INDEX	80%
FOOD	91
HOUSEHOLD SERVICES	110
CLOTHING	50
MEDICAL CARE	113
HOUSING	88
HOUSEHOLD DURABLES	51
UTILITIES	84
NEW CARS	51
GAS & OIL	85

## WHO CAUSES HIGHER FOOD PRICES?

(Homemaker Views, Aug. '74)



GOVERNMENT	26 %
FOOD PROCESSORS - MFG.	21 %
LABOR UNIONS	19 %
FOOD WHOLESALERS	12 %
WORLD DEMAND	10 %
FARMERS	3%
TRANSPORTATION	4 %
SUPERMARKET	3 %
LARGE CHAINS	2 %

FACTORS IN

THE FOOD

SITUATION

AND PRICES



-- MORE PEOPLE: + 2% PER YEAR

-- RISING PURCHASING POWER: + 3% PER YEAR

-- CROP SHORTFALLS: POOR WEATHER AND FISHING

-- DEVALUATION INCREASED TRADE

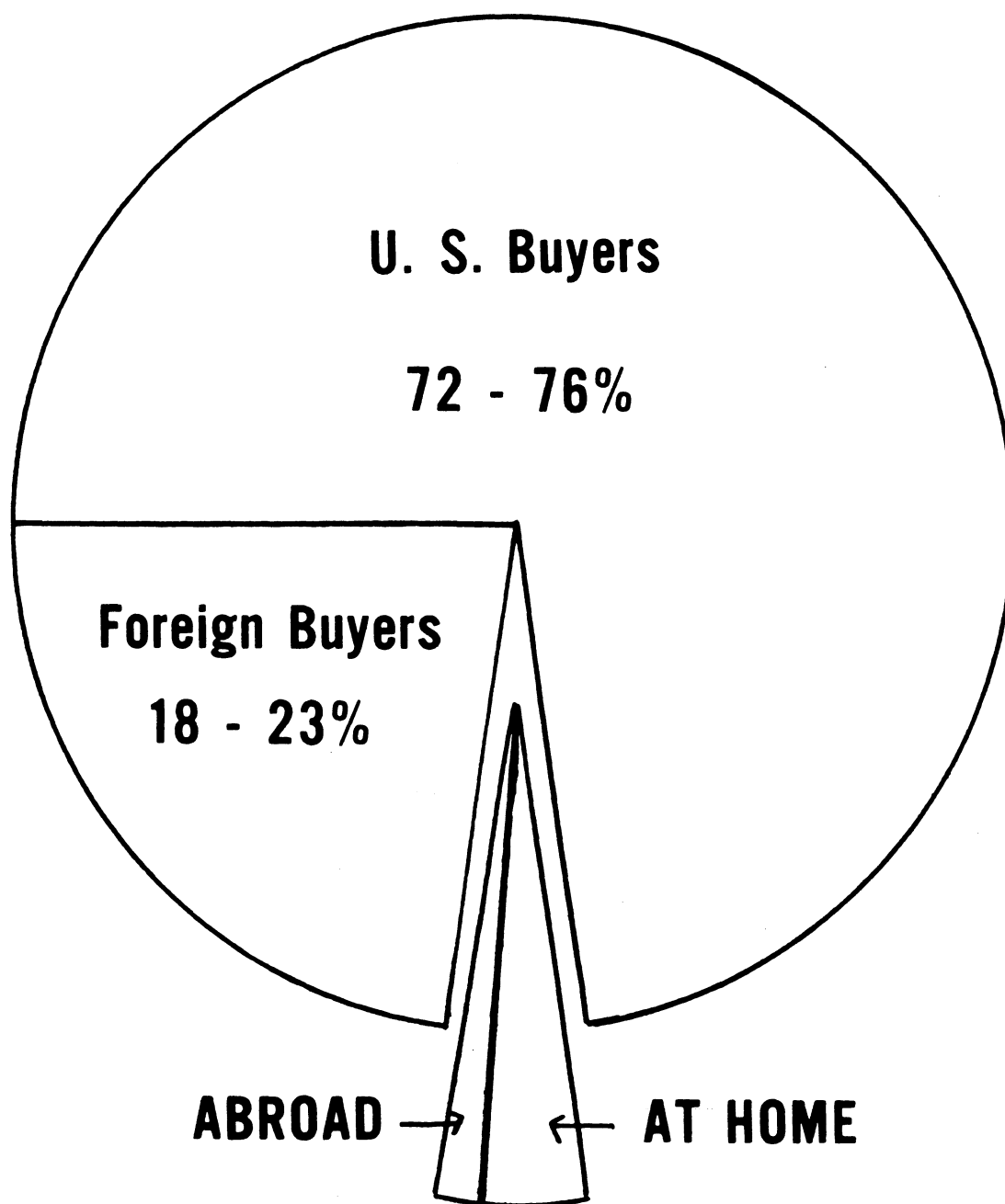
-- UNEVEN INCOMES: GROWTH

-- INFLATION: FINITE RESOURCES: EXPANSION POLICIES

-- SCARCE FOREIGN EXCHANGE

-- ENVIRONMENTAL CONTROLS

# WHO SHARES U.S. FOOD ?



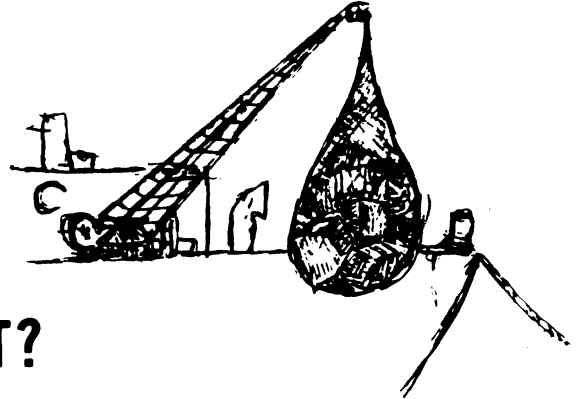
**FOOD FOR NEEDY: 4 - 5%**

# **WHO SHARES FOOD?**

**EVERYONE?**

**RICH WITH POOR?**

**SURPLUS WITH DEFICIT?**



**Should The U. S. Be The Sharer (Non-Market)  
To The World?**

**Or**

**Should The U.S. Be The Supplier (Market Sharing)  
To The World?**

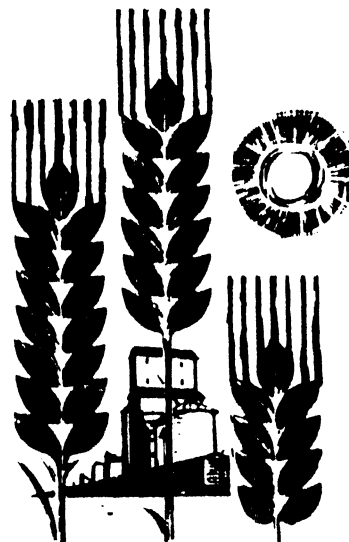


U.S.

FOOD

POLICY

GOALS



-- PRODUCE ABUNDANTLY AND EFFICIENTLY FOR U.S. CONSUMERS

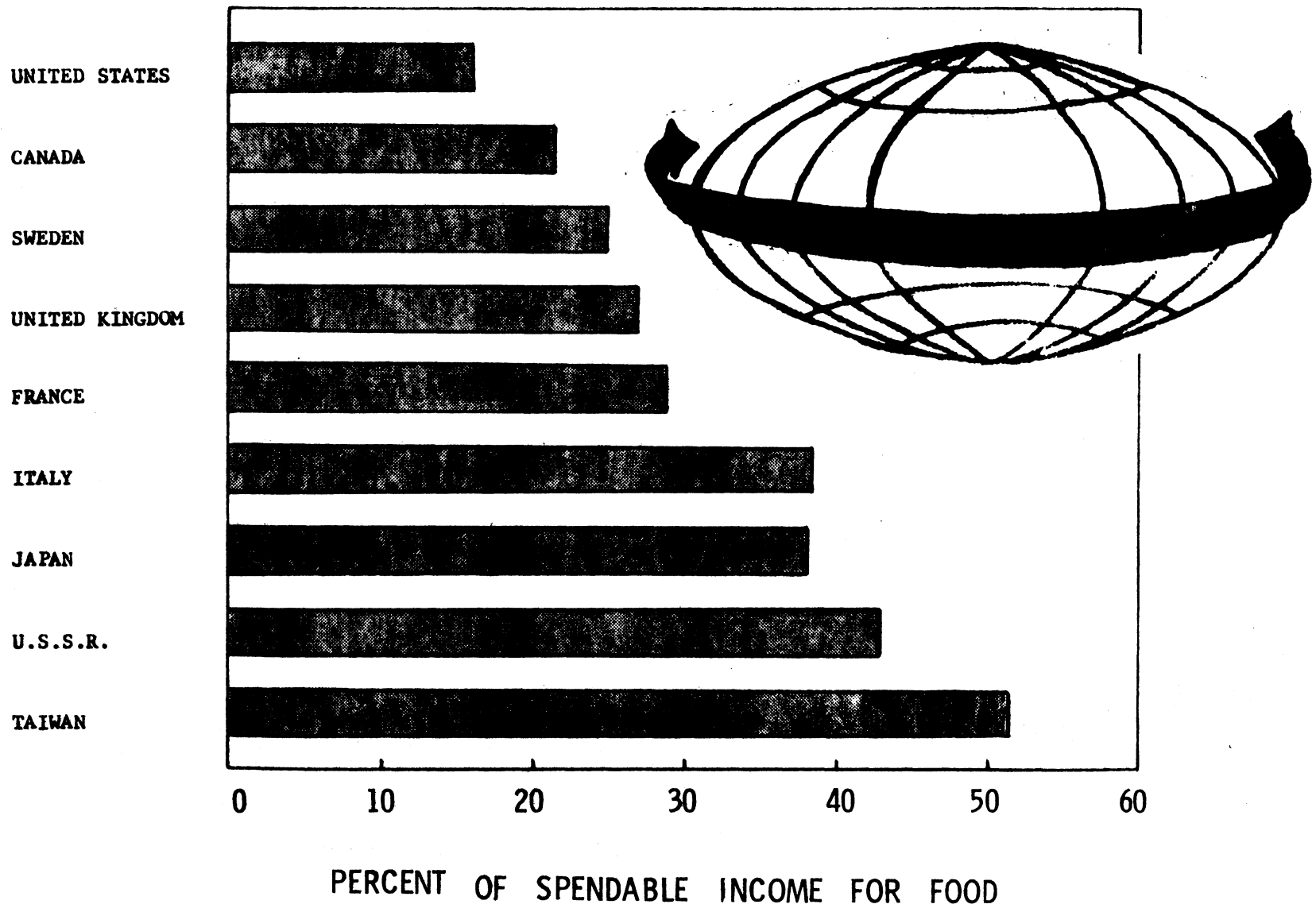
-- PRODUCE FOR EXPANDING WORLD MARKETS

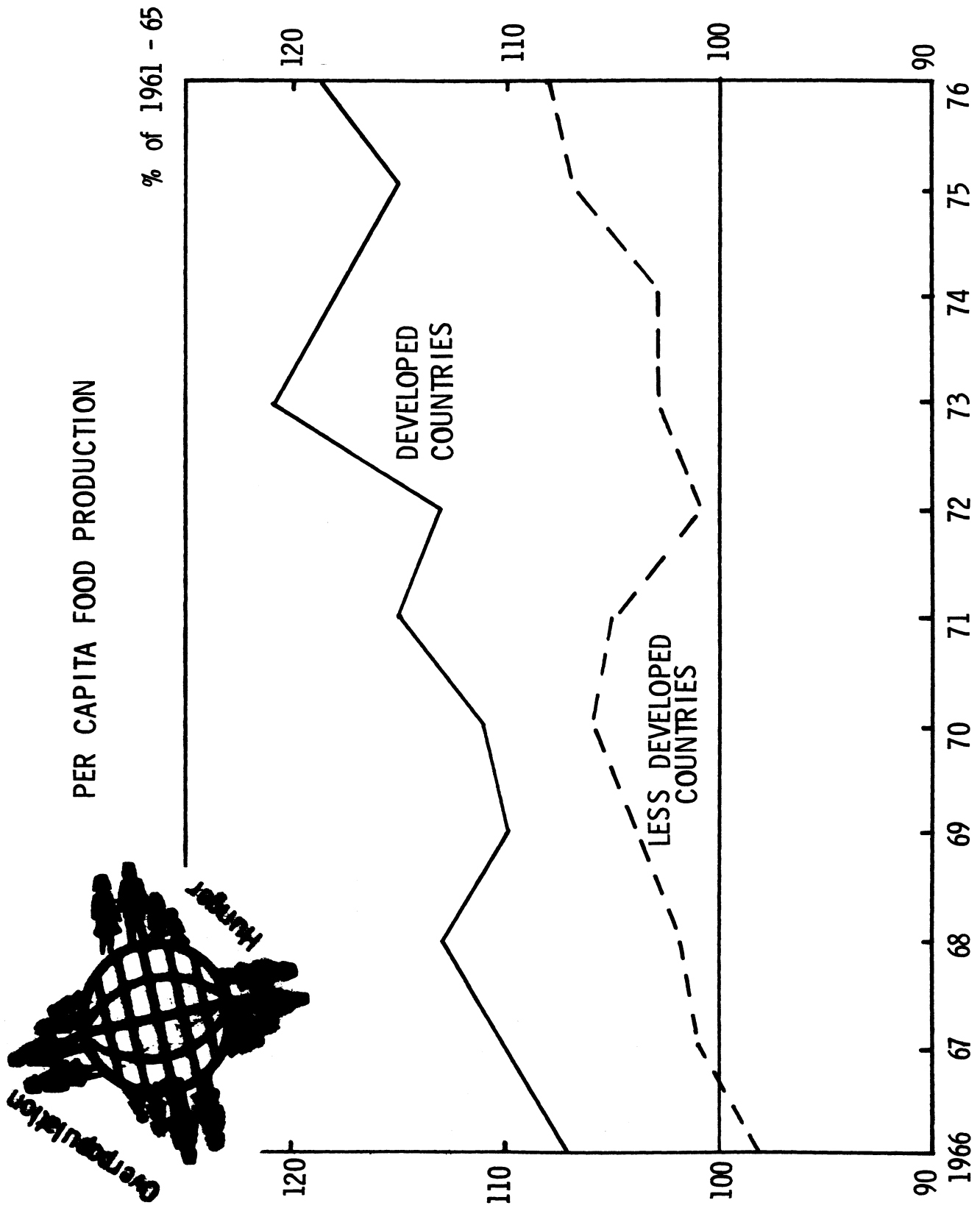
-- MAINTAIN DEPENDABILITY AS A WORLD SUPPLIER

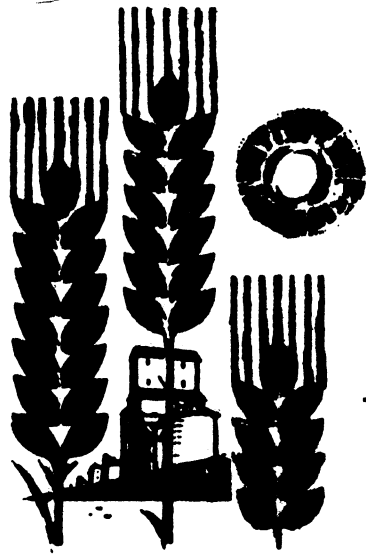
-- PROVIDE FOR HUMANITARIAN NEEDS AT HOME AND ABROAD

-- IMPROVE FARM INCOMES AND RURAL COMMUNITIES

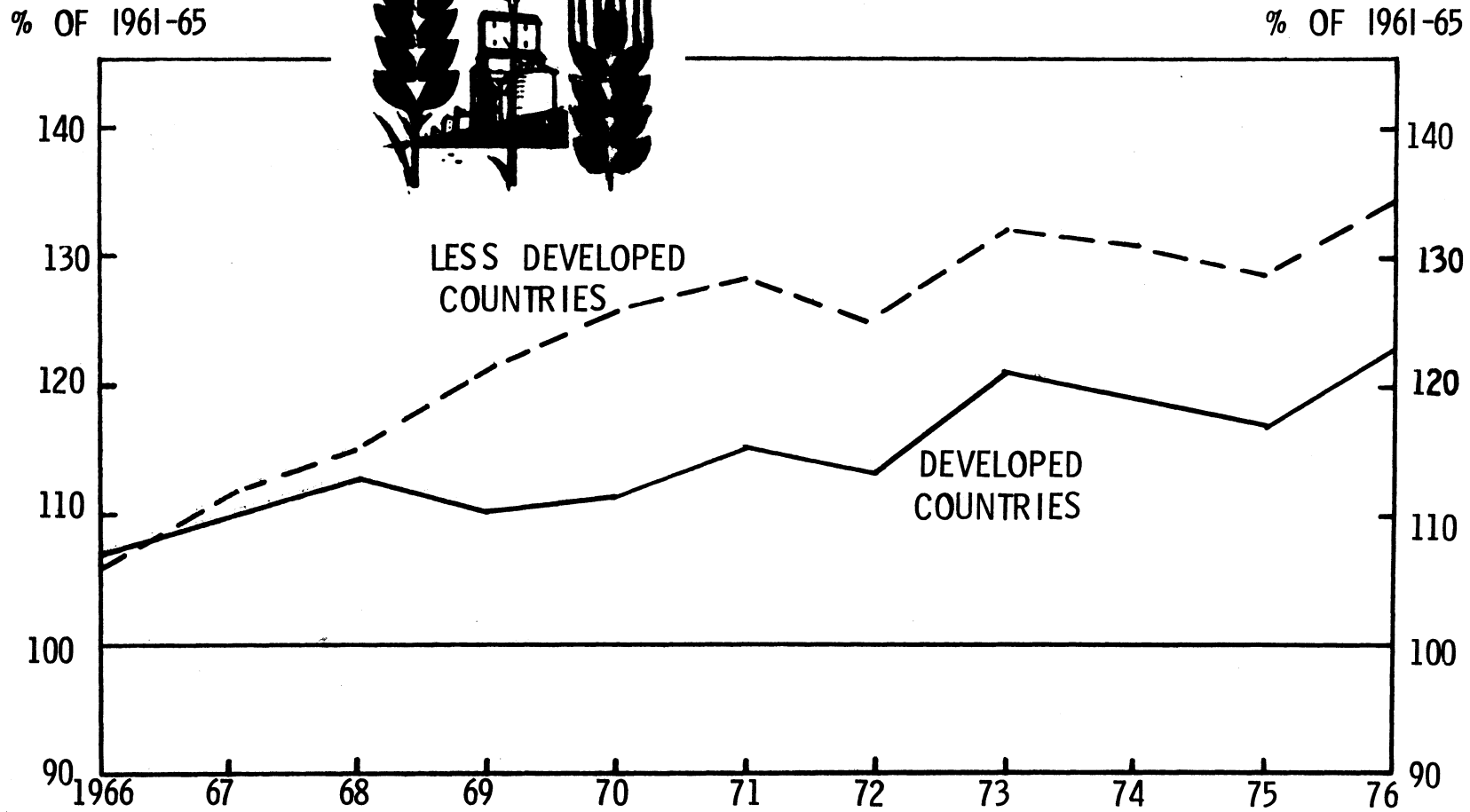
## COST OF FOOD AROUND THE WORLD





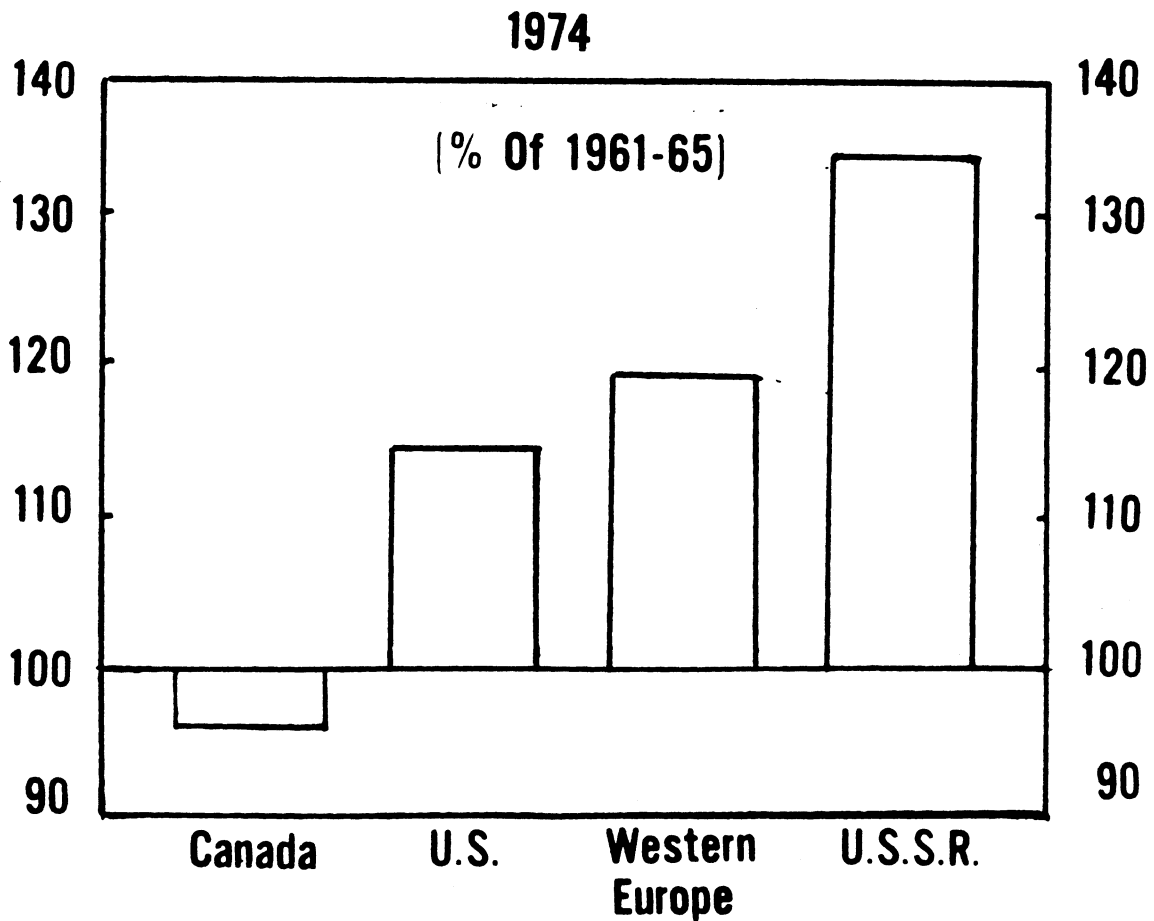
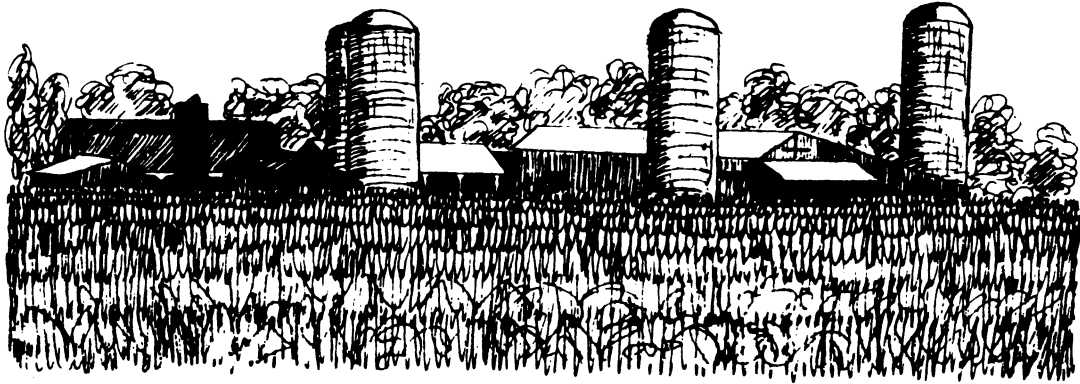


FOOD PRODUCTION IN  
THE DEVELOPED<sup>1/</sup> AND  
LESS DEVELOPED COUNTRIES



<sup>1/</sup> North America, Europe, USSR, Japan, Republic of South America, Australia, and New Zealand

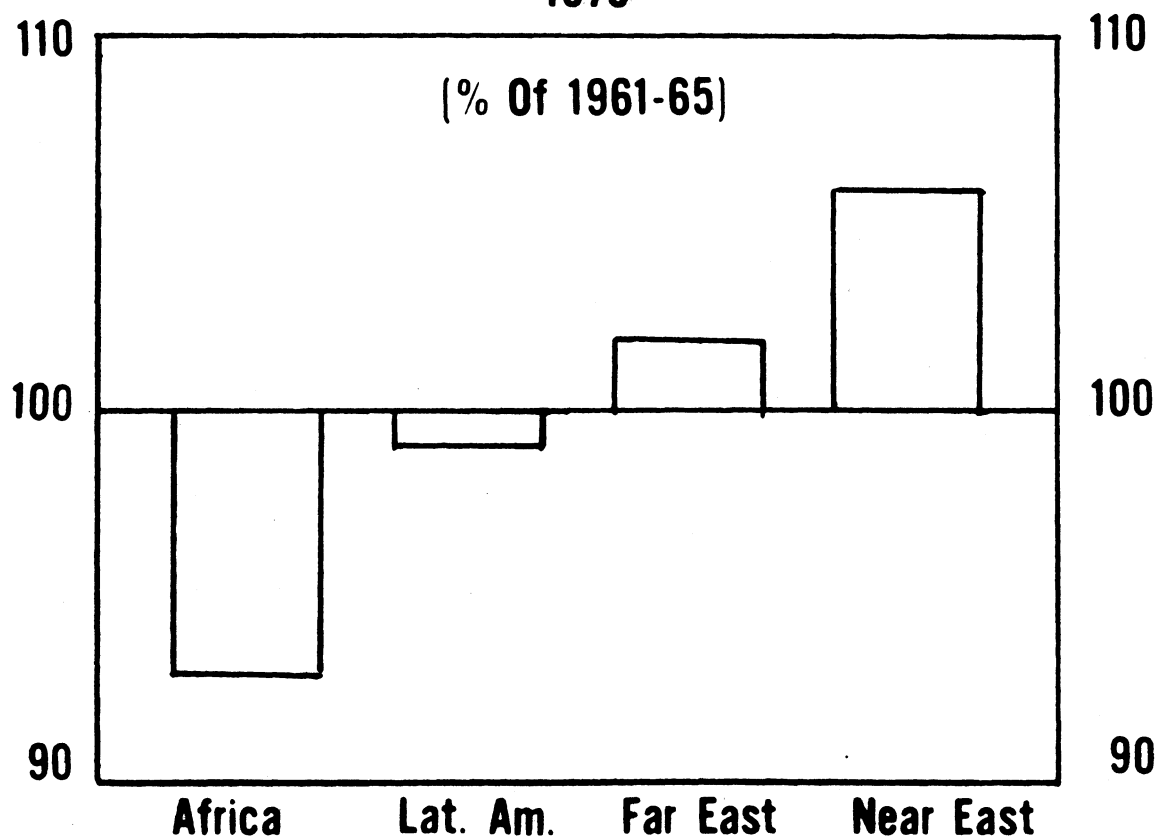
## PER CAPITA FOOD PRODUCTION IN DEVELOPED COUNTRIES/REGIONS



## PER CAPITA FOOD PRODUCTION IN SOME LESS DEVELOPED REGIONS



1975



## WORLD FACTS AND FIGURES

Most of the World is Poor

- a. The U.S. has 40 percent of the world's income.
- b. The U.S. and Europe together have two-thirds of the world's income.
- c. BUT the U.S. and Europe together have only 21 percent of the world's population. THEREFORE, the remaining 80 percent of the world's population must share one-third of the world's income.

<u>Area</u>	<u>Annual Per Capita Income</u>	<u>Area</u>	<u>Annual Per Capita Income</u>
United States	\$2,700	South East Asia	\$200
Western Europe	1,300	Africa	100
Latin America	300	South Asia	75
Middle East	300		

Most of the World is Ill Fed and Ill

- a. A minimum health standard requires a daily consumption of 2,650 calories per person.
- b. The U.S. calorie consumption is 3,100 per person.
- c. The calorie consumption of Africa, Asia, and Latin America averages about 2,200, OR 17 percent below the minimum health level.
- d. Average life expectancy of people in Africa, Asia and Latin America is under 40 years.

Distribution of Population and Food Supplies

	<u>% of Population</u>	<u>% of Food Supply</u>
Far East	52.4	27.3
Near East	4.2	4.2
Africa	7.3	4.3
Latin America	6.8	6.2
Europe	21.9	34.5
North America	6.7	22.0
Oceania	0.5	1.3

Most of the World is Illiterate

- a. Literacy in the U.S. is 98 percent and 95 percent in developed countries.
- b. Literacy in Africa, Asia, and Latin America averages 35 percent.
- c. Less than 50 percent of the world's children never attend school.

Most of the World is Not aligned With the United States

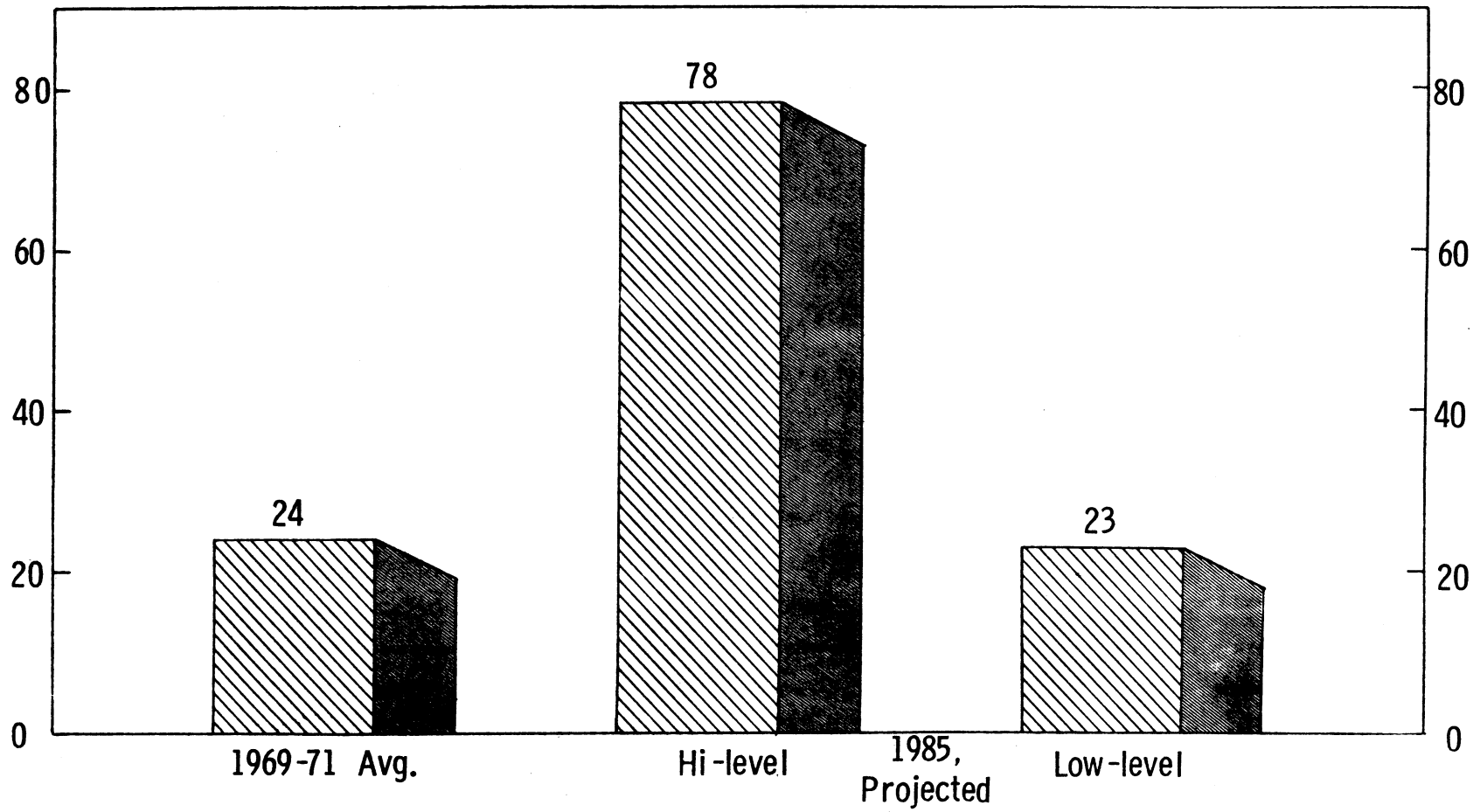
<u>Bloc</u>	<u>% World's Population</u>	<u>% Land Area</u>
West (inc. U.S.)	21	27
Communist countries	35	26
Underdeveloped countries	44	47
United States	6	7

Most of the World's Population Lives on Farms

<u>Area</u>	<u>Percent</u>	<u>Area</u>	<u>Percent</u>
Belgian Congo	85	Mexico	50
Thailand	85	U.S.S.R.	50
Bolivia	70	Argentina	25
India	70	Western Europe	20
Pakistan	65	United States	6
Brazil	50		

# GRAIN IMPORT NEEDS - DEVELOPING COUNTRIES

(Million Metric Tons)





WORLD

FOOD

CONFERENCE

IN BRIEF



-- PRODUCTION:

- . REORDER PRIORITIES
- . FUNDS FOR IMPROVEMENT

-- FOOD AID:

- . 10 MIL. TONS

-- FOOD RESERVES:

- . NATIONAL STOCKPILES

-- GLOBAL INFO. AND WARNING SYSTEM: FAO

- . GRAINS

-- TRADE:

- . REDUCE TRADE BARRIERS

U.S.

AID

RECORD



-- FOOD ASSISTANCE:

46 % OF ALL FOOD AID SINCE 1962

\$ 25 BIL. IN P.L. 480: 145 MIL. TONS OF GRAIN  
SINCE 1954

-- DEVELOPMENT AID:

\$ 1.5 BIL. IN TECH. HELP LAST 10 YEARS

1,000 TRAINED PER YEAR LAST 22 YEARS

1,000 MAN YEARS BY LAND GRANT COLLEGES

\$ 11 BIL. OF LOCAL CURRENCY GENERATED FOR USE  
BY P.L. 480

THE  
FOOD  
CHALLENGE



-- HELPING UNDERDEVELOPED COUNTRIES

- . TECHNICAL ASSISTANCE
- . FAMILY PLANNING
- . FINANCIAL ASSISTANCE
- . EXPAND FERTILIZER OUTPUT
- . FOOD RESERVES
- . FOOD AID

-- METHODS ?

- . PUBLIC
- . PRIVATE

-- LEVEL ?

ULTIMATE

CHOICES



-- CONTROL POPULATION

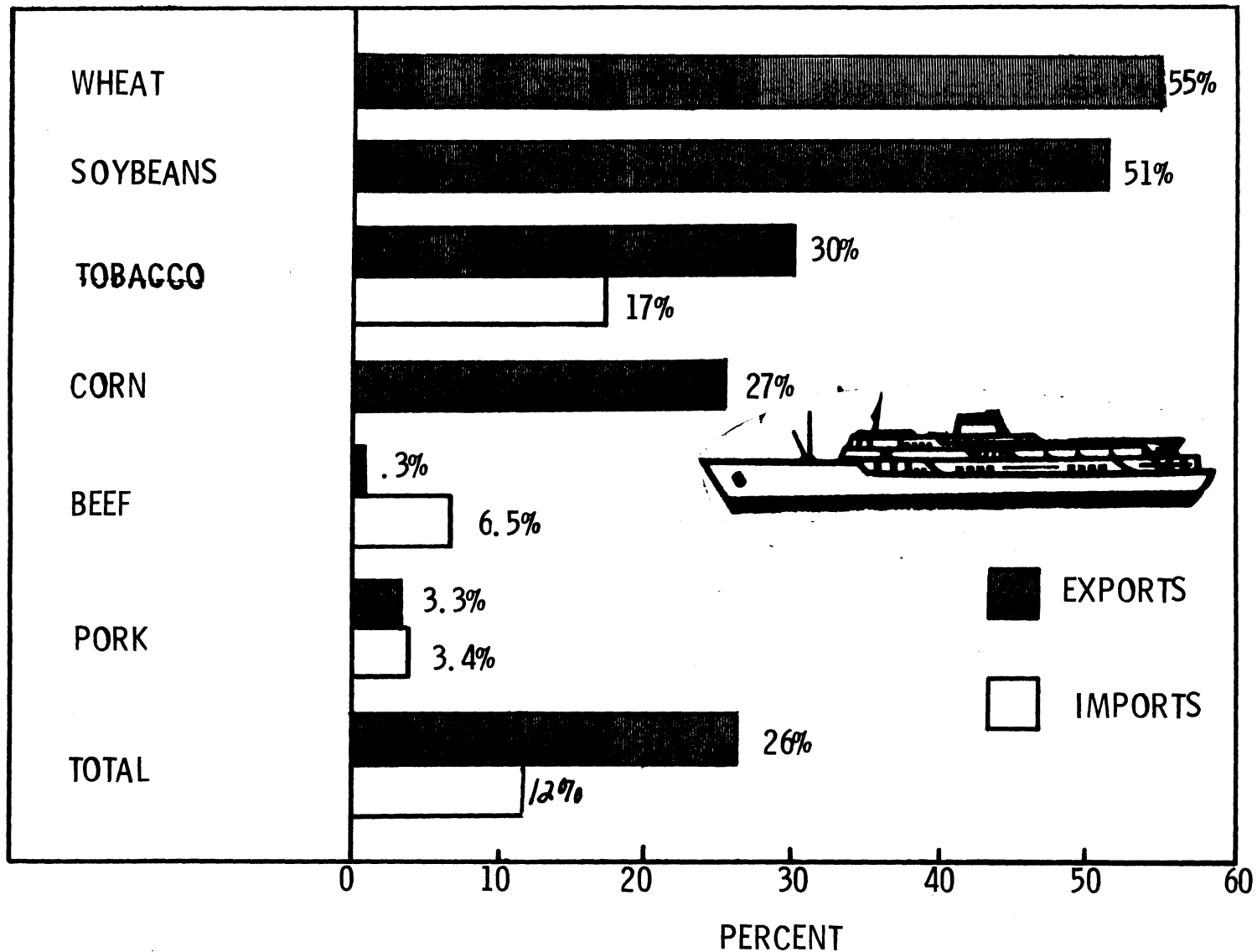
VS.

-- EXPAND FOOD SUPPLY

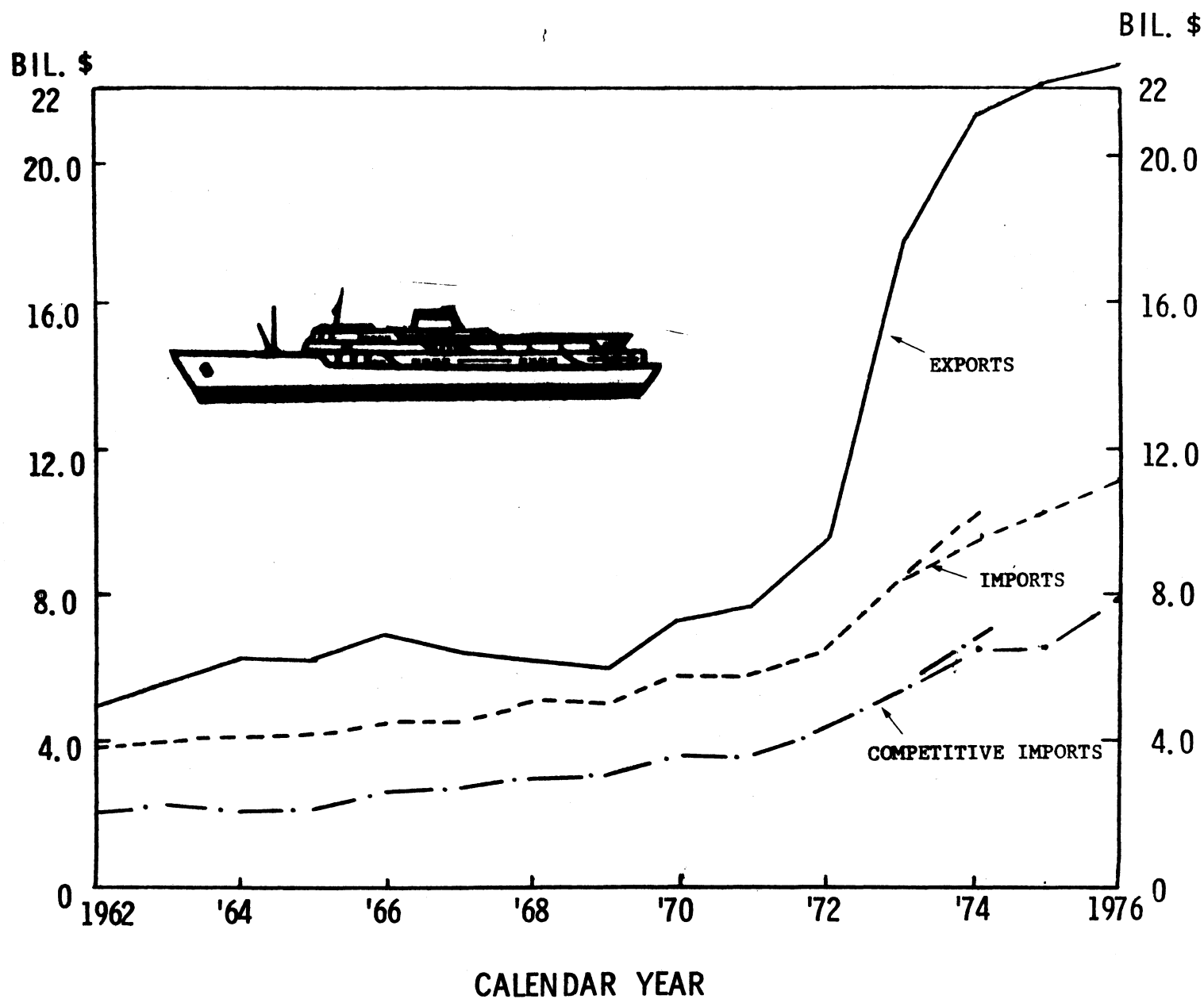
VS.

-- TRANSFER FOOD

EXPORTS AS PERCENT OF U. S. OUTPUT - - LAST YEAR



## AGRICULTURAL EXPORTS -- AN IMPORTANT AND GROWING MARKET



WHO TRADES FARM PRODUCTS WITH WHOM ?



EXPORTED FROM:	IMPORTED BY:			TOTAL
	DEVELOPED	LESS DEVELOPED	COMMUNIST BLOC	
DEVELOPED	42 %	10 %	3 %	55 %
LESS DEVELOPED	24	6	4	34
COMMUNIST BLOC	5	1	5	11
WORLD	71	17	12	100

NOTE: FOR 1972 FISCAL YEAR: EXCLUDES U.S.S.R. GRAIN SALES IN FISCAL 1973

U.S. TRADE WITH SOME INDUSTRIALIZED COUNTRIES (Millions of Dollars)

Calendar Year	AUSTRALIA		CANADA		JAPAN		MEXICO		EC COUNTRIES	
	Exports to	Imports from	Exports to	Imports from	Exports to	Imports from	Exports to	Imports from	Exports to	Imports from
1960	\$ 423	\$ 142	\$ 3,810	\$ 2,901	\$ 1,447	\$ 1,149	\$ 831	\$ 443	\$ 3,974	\$ 2,263
1962	408	290	3,833	3,660	1,415	1,358	805	578	3,631	2,446
1964	638	280	4,774	4,239	1,913	1,764	1,092	643	4,576	2,828
1966	653	395	6,661	6,125	2,364	2,963	1,180	750	5,504	4,125
1968	872	488	8,072	9,005	2,954	4,054	1,378	910	6,127	3,890
1970	986	611	9,079	11,092	4,652	5,875	1,704	1,219	8,423	6,609
1971	1,004	619	10,365	12,692	4,055	7,259	1,620	1,262	8,381	7,522
1972	843	807	12,415	14,909	4,965	9,064	1,982	1,632	8,840	8,980
1973	1,439	1,067	15,104	17,715	8,313	9,676	2,937	2,306	16,747*	15,607*
1974	2,157	1,044	19,936	22,286	10,679	12,456	4,855	3,386	22,069	19,206
1975	1,816	1,147	21,743	22,170	9,563	11,425	5,141	3,066	22,862	16,733
1976										

<sup>1/</sup> Agricultural and Industrial Trade Combined.

SOURCE: Statistical Abstract of U.S.

\*As of January 1, 1973, United Kingdom, Denmark and Ireland became members of EEC.



AGRICULTURAL COMMODITIES TRADED WITH AUSTRALIA

U.S. IMPORTS		U.S. EXPORTS	
Commodity	Value	Commodity	Value
Animals & Products	\$359,117,000	Tobacco	\$ 25,046,000
Sugar, Molasses & Honey	165,285,000	Other	16,595,000
Wool	36,705,000	Fruits & Vegetables	9,177,000
Other	26,534,000	Oils, various	7,635,000
Casein & Casein Glue	12,383,000	Nuts	3,348,000
Total	\$600,024,000	Animal Materials	3,263,000
		Soybeans, Oilcake & Meal	2,493,000
		Seeds	2,467,000
		Total	\$ 70,024,000

AGRICULTURAL COMMODITIES TRADED WITH JAPAN

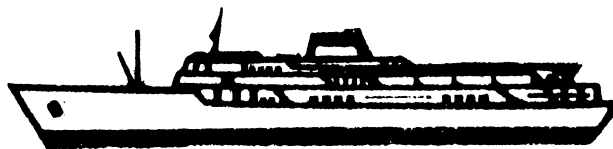
U.S. IMPORTS		U.S. EXPORTS	
Commodity	Value	Commodity	Value
Fruits, Nuts & Vegetables	\$ 24,235,000	Corn	\$ 702,055,000
Other	19,177,000	Soybeans	654,782,000
Sauces & Seasonings	9,152,000	Wheat	543,427,000
Misc. Food Preparations	8,460,000	Other	253,610,000
Wine, Cider & Ale	6,310,000	Cereals	252,784,000
Biscuits & Pasta	4,696,000	Meat & Poultry	232,719,000
Total	\$ 72,030,000	Tabacco	196,135,000
		Cotton	169,732,000
		Fruit, Nuts, & Vegetables	154,116,000
		Hides & Skins	141,096,000
		Total	\$3,300,456,000

SOURCE: U.S. Foreign Agricultural Trade Statistical Report, Fiscal Year, 1973

SOME

TRADE

PRINCIPLES



-- TRADE SOMETHING WE HAVE FOR SOMETHING WE WOULD  
RATHER HAVE

-- WHY TRADE?

. CAN'T PRODUCE

. BUY CHEAPER

. BETTER QUALITY

-- MUTUALLY ADVANTAGEOUS

-- REASONS FOR TRADE

. BETTER LIVING

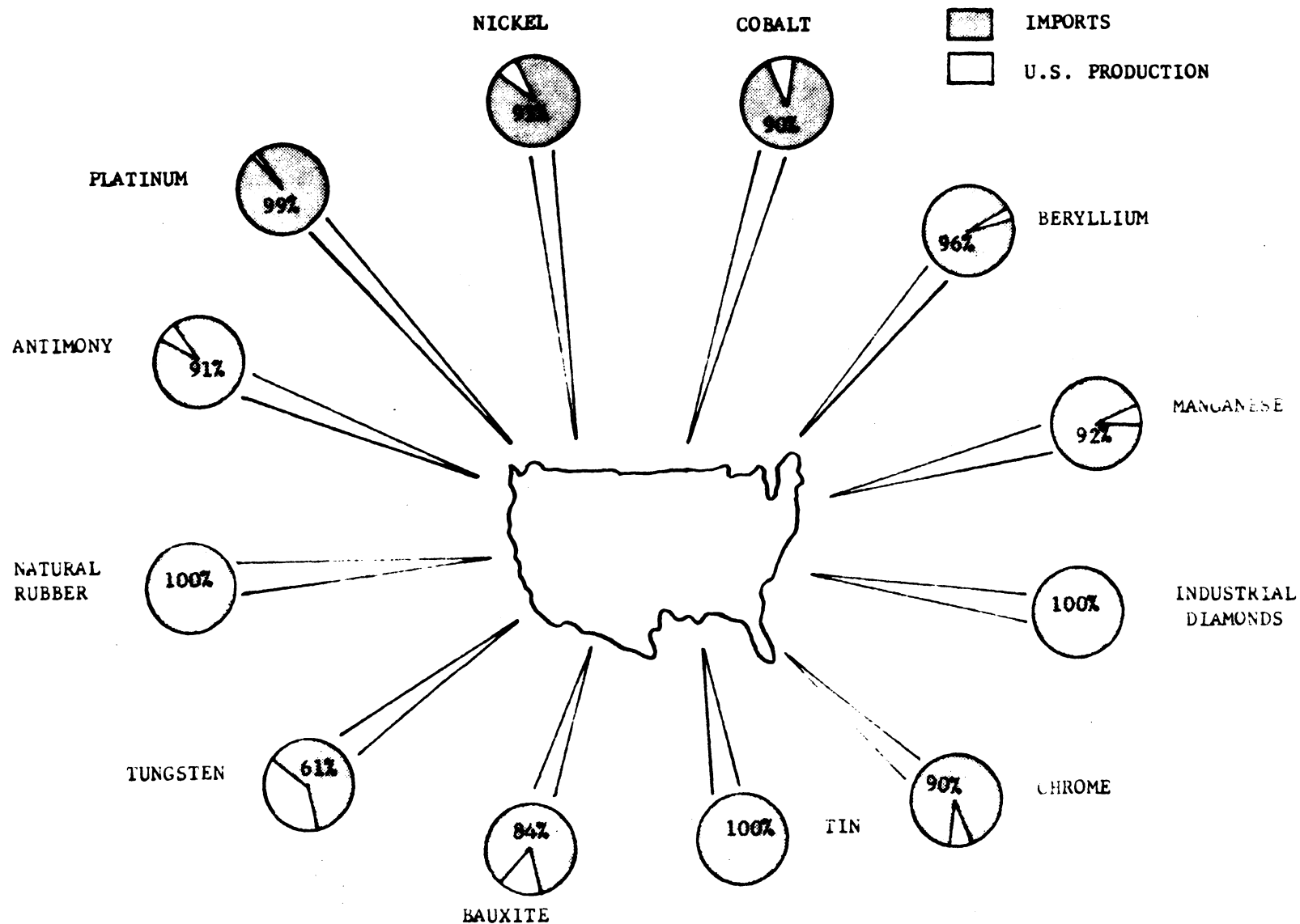
. MORE JOBS

. BROADEN MARKETS

. NOT SELF SUFFICIENT: INTERDEPENDENT

-- MUST BUY TO SELL

# ESSENTIAL STRATEGIC MATERIALS FROM OTHER FREE NATIONS



FOREIGN TRADE AND LABOR IN U. S.EXPORTSMILLION PEOPLE

GOODS

2.4

SERVICES

.5

{ .5 AGRICULTURE

TOTAL

2.9

{ 2.4 INDUSTRY

DISTRIBUTION OF IMPORTS

1.0

SUPPLY WORKERS

1.0

TOTAL

4.9

IMPORTS

WORKERS RELEASED

.5

BENEFIT-COST RATIO

10.1

SOURCE: DEPARTMENT OF LABOR

FARM

EXPORTS -

IMPACTS



-- MULTIPLIER: ADD \$1 TO FARM EXPORTS = 95¢ TO NONFARM

-- MEANING TO FARM SECTOR: \$ 8.0 BIL. ADDED

. HIGHER PRICES: INCOMES: COSTS

. EARNS FOREIGN EXCHANGE

-- MEANING TO NONFARM SECTOR: \$7.2 BIL.

. JOBS: 500,000 DIRECT

. INCOME: \$40-45 PER PERSON

. FOOD COST: \$20-25 PER PERSON

. ENERGY: JOBS: HOMES: CARS

U.S. BALANCEOF TRADE

1976 FISCAL YEAR

-- EXPORTS

AGRICULTURAL

\$22.2 BIL.

NON-AGRICULTURAL

\$87.2 BIL.

\$109.4 BIL.

\$21.0 BIL. = SALES

1.2 = CURRENCY,  
BARTER,  
DONATIONS-- IMPORTS

AGRICULTURAL

\$10.1 BIL.

NON-AGRICULTURAL

\$95.8

\$105.7

COMPETITIVE \$6.3

COMPLEMENTARY ~~\$2.6~~  
3.8-- TRADE BALANCE

AGRICULTURAL

+ \$12.0 BIL.

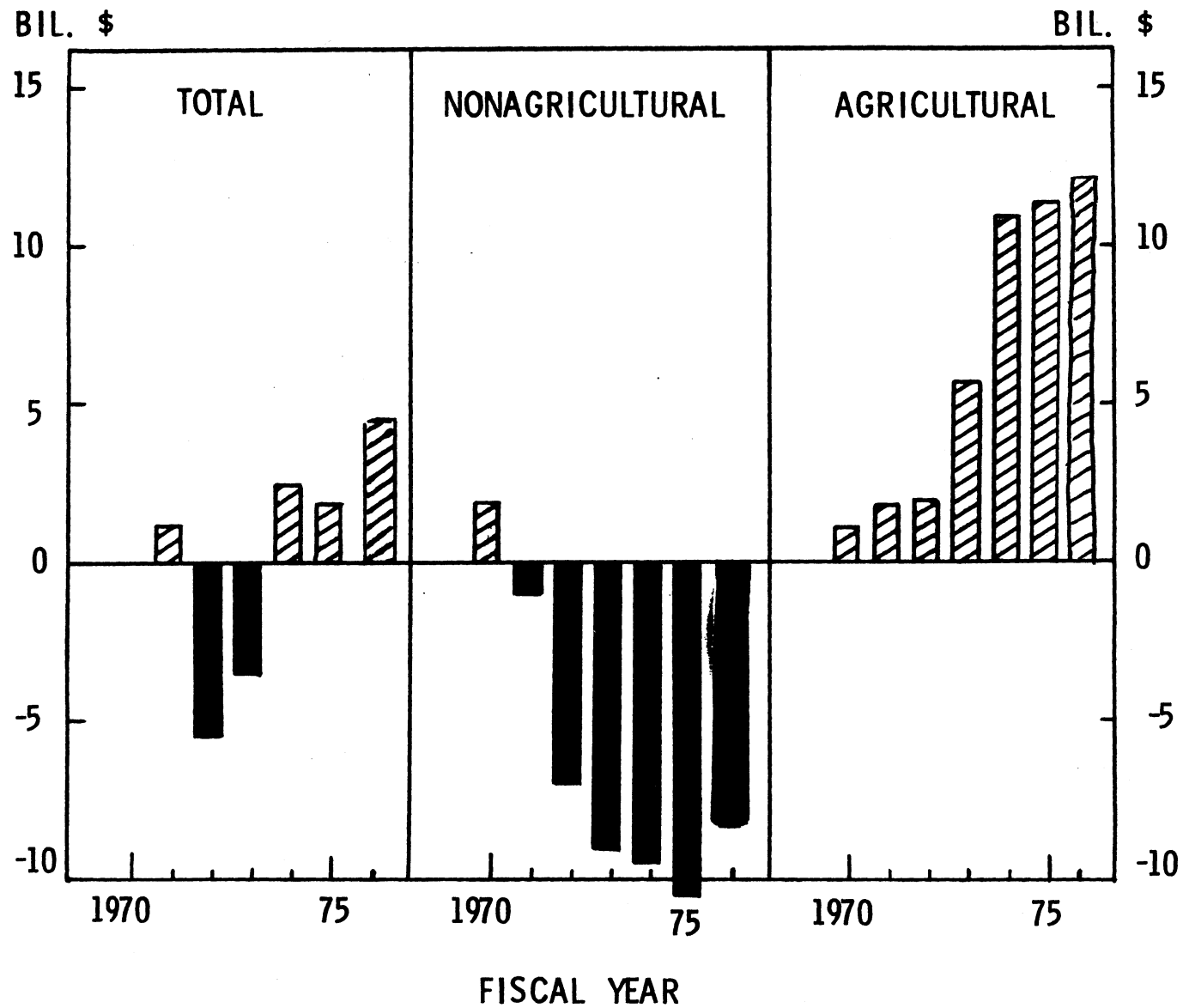
NON-AGRICULTURAL

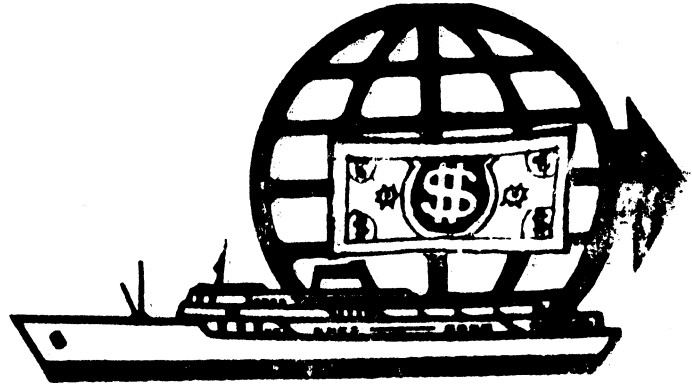
- 8.5

NET

+ 3.5

# AGRICULTURE'S TRADE BALANCE RECORD LARGE



BALANCEOFPAYMENTS

EXPORTS

IMPORTS

RETURNS FROM OVERSEAS  
INVESTMENT

CAPITAL INVESTMENT OVERSEAS

TRANSPORTATION IN AMERICAN  
PLANES AND SHIPSTRANSPORTATION IN FOREIGN  
OWNED EQUIPMENT

TRAVEL IN U.S.A.

TRAVEL ABOARD

SERVICES FOR OTHER COUNTRIES

SERVICES BY OTHER COUNTRIES

MILITARY SALES

MILITARY EXPENDITURES

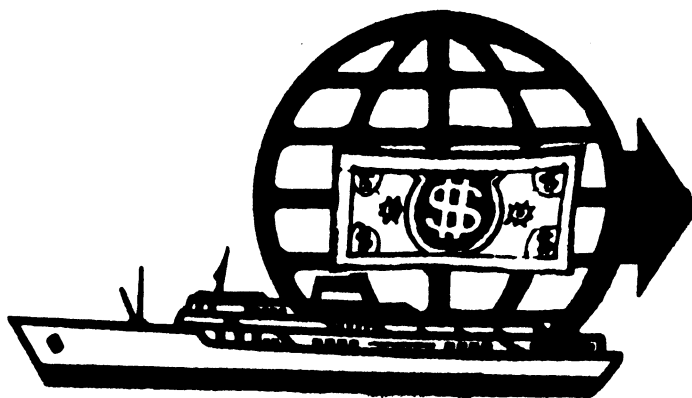
GRANTS, LOANS

BALANCE OF PAYMENTS (CURRENT ACC'T)

1968	\$ - 1.4 BIL.
1969	-2.0
1970	-0.4
1971	-3.6
1972	-9.8
1973	+2
1974	-3.6
1975	+1.7
1976	-0.6

SOLUTIONS ?





SOME TRADE POLICY ALTERNATIVES

NO TRADE

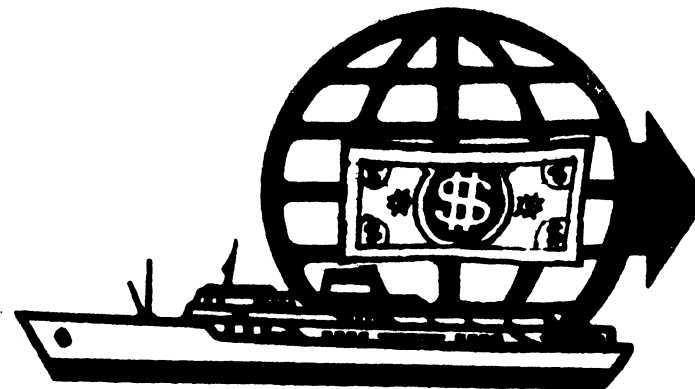
LESS TRADE

FREER TRADE

FREE TRADE

BALANCE OF TRADE:

FOOD PRICES



LESS FOOD EXPORTED

MORE FOOD EXPORTED

HIGHER	←	CHEAPER	←	<u>FOOD</u>	→	HIGHER	→	LOWER
WEAKER	←			<u>DOLLAR</u>	→			STRONGER
HIGHER	←			<u>COST OF:</u> ELEC. EQUIP.	→			CHEAPER
HIGHER	←			TEXTILES	→			CHEAPER
				<u>AMOUNT BOUGHT:</u>				
LESS	←			AUTOS	→			MORE
LESS	←			FUEL	→			MORE